

AR37

Québec-Téléphone

Annual report 1969



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Si vous préférez un exemplaire du rapport en français, veuillez écrire à: Québec-Téléphone, 6, rue Saint-Jean, Rimouski, Qué.

Listing of stock

Common stock, 4 $\frac{3}{4}$ % preferred stock, 1965 Series and 6.20% Subordinate preferred stock, Series A, 1969, are listed on the Montreal Stock Exchange.

The 5% preferred stock, 1950, 1951, 1955 and 1956 Series, are listed on the Canadian Stock Exchange.

Stock transfer offices

Administration and Trust Company, 10 St. James Street West, Montreal 126, is the Registrar and Transfer Agent for all classes of shares of the Company. The Royal Trust Company is the Co-Transfer Agent and Registrar for the 4 $\frac{3}{4}$ % Preferred Shares 1965 Series at its offices in Toronto, Ontario and Winnipeg, Manitoba and is the Co-Transfer Agent and Registrar for the 6.20% subordinate preferred shares, Series A, 1969, and for the Common Shares of the Company at its offices in Toronto, Winnipeg and Saint John, N.B.

Trustee for bonds

Administration and Trust Company,
10 St. James Street West, Montreal 126.

Bankers

Banque Canadienne Nationale
Bank of Montreal

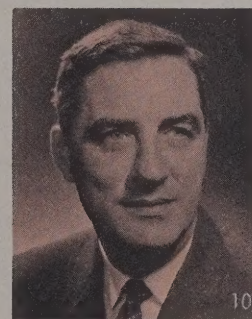
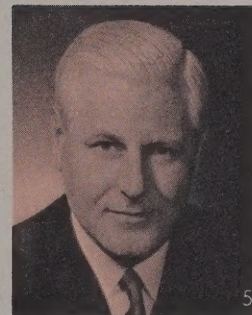
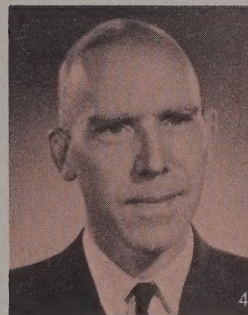
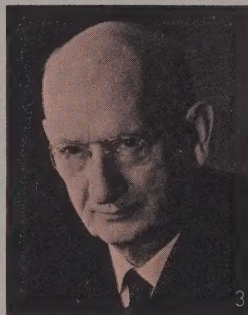
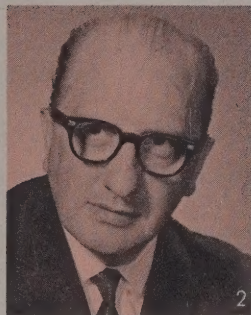
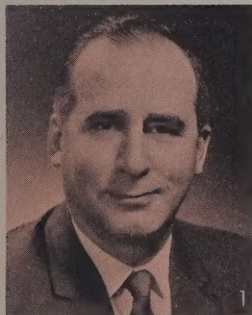
Subsidiary

The Bonaventure and Gaspé Telephone Company, Limited,
New Carlisle, Bonaventure County, Qué.

To the shareholders:

Your Directors appreciate the interest shown by shareholders who are present at the Annual General Meetings and participate in the discussions of the Company's affairs. This year the meeting will be held in March, in Rimouski, Qué. All shareholders who find it possible to attend are urged to do so.

Board of directors



1. **Basile-A. Bénéteau****
President
Québec-Téléphone
2. **Jacques Brillant***
Chairman of the Board
Québec-Téléphone
3. **Honourable Jules-A. Brillant, C.B.E.***
Director
Québec-Téléphone
4. **Roger Charbonneau**
Dean
École des Hautes Études Commerciales
5. **James J. Clerkin, Jr.**
Executive Vice President - Telephone Operations
General Telephone & Electronics Corporation

6. **Aristide Cousineau**
President
René T. Leclerc Inc.
7. **John J. Douglas**
Executive Vice President - Finance
General Telephone & Electronics Corporation
8. **Bernard Panet-Raymond**
Vice President - Administration
The Ontario Paper Company Limited and
Quebec North Shore Paper Company
9. **Claude Pratte**
Advocate
10. **Raymond Sirois***
Vice President - Operations
Québec-Téléphone

**president of the executive committee

*member of the executive committee

Officers

Honourable Jules-A. Brillant, C.B.E.
Honorary President

Jacques Brillant
Chairman of the Board

Basile-A. Bénéteau
President and Chief Executive Officer

Raymond Sirois
Vice President - Operations

Julien Thuot
Vice President - Finance, and Treasurer

Henri Dionne
Vice President - Personnel

Jean-Marc Tremblay
Secretary and General Counsel

Simon Soucy
Assistant Treasurer

John Ronald Tennet
Assistant Vice President and Chief Engineer

Andrée Bélanger
Assistant Secretary

Report in brief

	1969	1968	Increase or (decrease)
Total revenues	\$ 26,105,483	\$ 22,842,828	\$ 3,262,655
Operating expenses, taxes and interest charges	\$ 19,630,745	\$ 17,250,118	\$ 2,380,627
Income taxes	\$ 3,491,842	\$ 3,013,678	\$ 478,164
Net income	\$ 2,982,896	\$ 2,579,032	\$ 403,864
Cash dividends on preferred shares	\$ 757,184	\$ 507,310	\$ 249,874
Net income available for common shares	\$ 2,225,712	\$ 2,071,722	\$ 153,990
Earnings per average common share	\$ 1.28	\$ 1.19	\$ 0.09
Cash dividend per common share	\$ 0.70	\$ 0.70	—
Average number of common shares outstanding	1,741,067	1,741,067	—
Cash dividends on common shares	\$ 1,218,758	\$ 1,218,758	—
Dividend pay-out ratio	66.2 %	66.9 %	(0.7 %)
Number of preferred and common shareholders	3,245	3,139	106
Telephone plant	\$125,516,380	\$114,372,904	\$11,143,476
Construction and other plant additions	\$ 12,796,783	\$ 15,932,556	\$(3,135,773)
Telephones in service	144,235	136,070	8,165
Per cent dial operated telephones	92.7 %	91.0 %	1.7 %
Number of central offices	145	145	—
Toll messages	11,904,488	11,457,424	447,064
Number of employees	1,575	1,546	29
Salaries and benefits	\$ 9,942,036	\$ 8,436,803	\$ 1,505,233

The directors' report

In 1969, the Company carried forward a variety of programs aimed at achieving further improvement and expansion of service, aided in its progress toward this over-all objective by the affiliation with General Telephone & Electronics Corporation.

As outlined in previous annual reports, these programs involve three major elements:

1. The expansion of facilities in order to meet the ever-growing need of our customers for all types of modern telecommunication services;
2. The application of new communications technology to minimize the effects of the constant increase in the cost of doing business;
3. The implementation of intensive training programs designed to improve the capabilities, skills, and productivity of all personnel.

Net income and per-share earnings

Net income for the year 1969 amounted to \$2,982,896, compared with \$2,579,032 in 1968, an increase of 15.7 per cent. After payment of dividends on preferred stock, net revenue per average common share was \$1.28 in 1969, compared with \$1.19 in 1968. Regular quarterly dividends on preferred shares and \$0.70 per common share were paid, as was the case in 1968. Dividends totaling \$1,975,942 were paid on all classes of capital stock. A total of \$1,006,954 was reinvested in the Company, as compared with \$852,964 in 1968.

Operating revenues

As indicated in the table on the following page, total operating revenues for the year amounted to \$25,891,723, an increase of \$3,259,838, or 14.4 per cent over 1968. This increase was principally due to a growth in the volume of long-distance calls and an increased share of the revenue from long-distance service jointly provided with other telephone systems, including an amount of \$387,400 for previous years.

The apparently substantial increase in the provision for doubtful accounts is primarily due to the fact that, in 1969, this item included lost revenue on calls for which billing was impossible due to wrong dialing or other errors, while in 1968 this lost revenue was deducted from long-distance revenues.

Operating expenses and taxes

Controllable operating expenses increased by \$1,049,815, or 12.1 per cent over 1968. However, in addition to paying in 1969 the cost of vacations earned in 1968, and in order to follow now accepted



accounting practices, the Company included in these expenses the cost of vacations earned in 1969 which will be paid in 1970, in the amount of \$266,855. If, for purposes of comparison, this expense were eliminated, the increase would be reduced to 9.0 per cent. Depreciation expenses increased by 15.4 per cent as a result of additions to plant.

Federal, provincial, and municipal taxes amounted to \$4,407,830, an increase of 13.4 per cent over 1968. These items accounted for 23.2 per cent of the total operating expenses and amounted to \$2.53 per common share, or \$30.56 per telephone in service as of December 31, 1969.

Interest expenses totaled \$4,160,772 and were 18.4 per cent higher than in 1968, due to substantial short-term loans and increased interest rates.

Financing

On January 7, 1969, the Board of Directors offered holders of its common shares the right to apply for one Subordinate Preferred share, 6.20 per cent Cumulative, Redeemable and Convertible, Series A,

of the par value of \$15 each, for each block of six (6) shares held on January 13. The 290,178 preferred shares offered in this way were subscribed for and issued, and the proceeds, totaling \$4,352,670, have served to reduce bank loans which amounted to \$18 million at the end of 1968.

Additions to plant, which in 1969 cost \$12,796,783, were financed in the proportion of 52.3 per cent by internal sources, principally undistributed profits, depreciation, and deferred taxes. The remaining funds required were raised through bank loans and an additional loan of \$5 million from the major shareholder, Anglo-Canadian Telephone Company.

Expansion and development

In a vigorous effort to achieve the objectives set forth at the beginning of this report, the Company again undertook a large-scale construction program entailing considerable investment. Net additions, after deducting the cost of facilities removed from service, amounted to \$11,143,476, bringing total plant investment to \$125,516,380 at year's end. This was almost double the total investment of only five years ago.

The major project of the year was completed by June 15, when new switching equipment permitting access to Direct Distance Dialing cut into operation in Ste-Marie de Beauce. Due to this modernization in service, the subscribers in 21 exchanges located in the counties of Beauce, Dorchester, Lévis, and

Lotbinière now benefit from telephone service fully comparable to that in the largest urban centres. These subscribers are now able to dial directly to any of the millions of telephones across Canada and the United States. At year's end, 65.4 per cent of the telephones in service had access to Direct Distance Dialing.

Among the other projects completed in 1969 was the installation of 11 new dial offices — bringing the level of dial service to 92.7 per cent. Moreover, multi-party service was upgraded to urban service in 10 localities and Extended Regional Service was inaugurated in 22 areas — allowing subscribers to call neighbouring exchanges without long-distance charges.

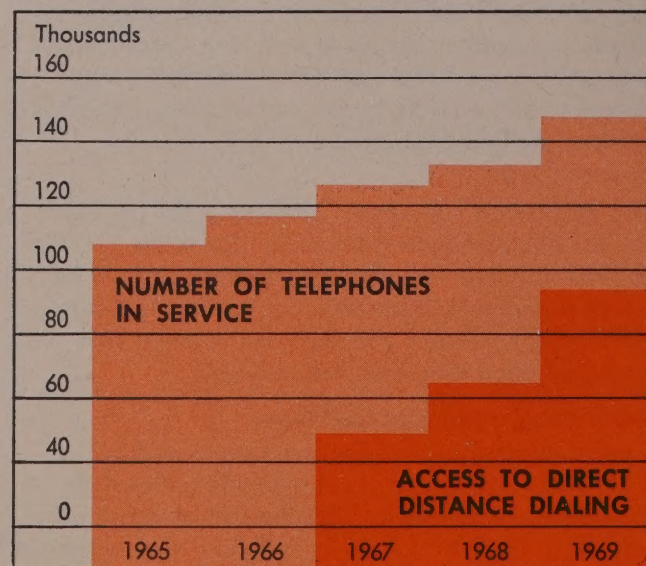
On March 4, 1969, following an agreement with the Avalon Telephone Company, now called Newfoundland Telephone Company Limited, of St. John's, Newfoundland, which covered traffic exchanged between eastern Quebec and western Labrador on the one hand, and the Island of Newfoundland on the other, a direct long-distance link was established from Rimouski to Corner Brook via the microwave link built in 1968 from Sept-Îles to Blanc Sablon on the Strait of Belle Isle.

During the year, Québec-Téléphone added 8,165 telephones to its network, bringing the total number in service to 144,235 as of December 31. However, the gain in telephones, substantial as it may be, is no longer an adequate indication of the growth rate

OPERATING REVENUES

	Increase compared with 1968		
	1969	Amount	Per cent
Local service	\$10,004,509	\$ 950,509	10.5
Toll service	15,741,235	2,431,199	18.3
Miscellaneous*	375,144	24,509	7.0
	\$26,120,888	\$3,406,217	15.0
Less:			
Provision			
for doubtful			
accounts	229,165	146,379	176.8
	\$25,891,723	\$3,259,838	14.4

*Mainly directory advertising, and rentals of circuits to other Telecommunications Companies.



of a telephone company. An ever-increasing number of today's telecommunication services do not include the familiar telephone as terminal equipment but instead such equipment as: inter-comm. microphones, loud-speakers, modems for data transmission, transmitters and receivers for closed-circuit television, and teleprinters. In 1969, the number of mobile radio-telephones leased to the Québec Provincial Police, to municipal administrations, and to various private enterprises, grew from 151 to 270; 233 private switchboards — some with centrex, and 320 teleprinters were in service at the end of the year.

The marketing group formed in 1966 for the promotion of special services increased its activities in 1969. The results of their efforts during the year have been estimated as being approximately \$955,000 of annualized revenue, an increase of 22.7 per cent over 1968.

New developments

Telesat Canada was incorporated, in June 1969, by an Act of the Parliament of Canada, to establish a Canadian corporation for telecommunication by satellite. Québec-Téléphone, as an approved telecommunication common carrier defined in the Act, expects to acquire shares in Telesat Canada, and thus participate in this new field.

In November 1966, Québec-Téléphone established a data-processing centre for internal use. Since that time, the Company has formed a skilled team of computer analysts, programmers, and operators.

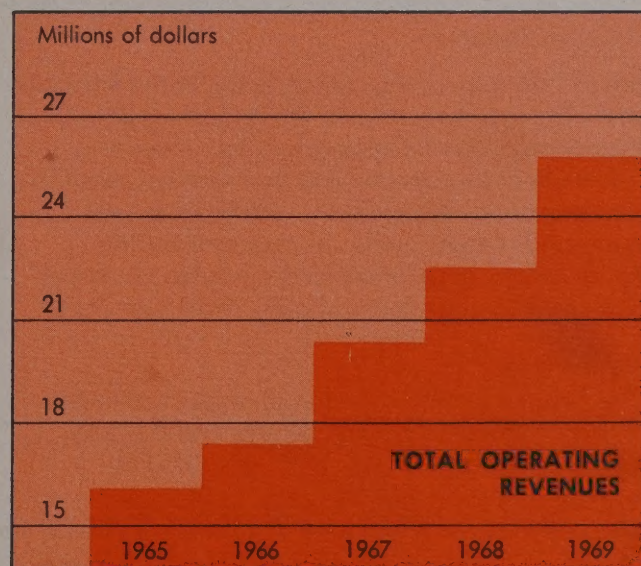
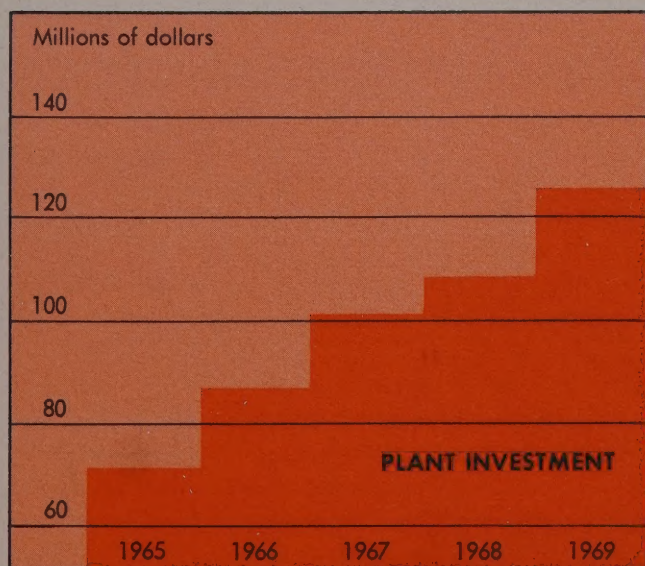
On September 30, 1969, the Public Service Board of Québec authorized Québec-Téléphone to furnish complete data-processing services to the public, either at its headquarters or at the client's place of business, by means of data terminals. The Company intends to increase its sales efforts in this field within the next few months in order to benefit fully from the potential of its data-processing centre which, in 1969, was equipped with a magnetic tape computer replacing the original punch-card model.

Personnel

At year's end, the Company had 1,575 employees compared with 1,546 the preceeding year, an increase of approximately 2 per cent. Automation and higher productivity were contributing factors to limiting the growth in the number of personnel, despite a larger volume of business. Salaries and wages in 1969 amounted to \$9,191,429, as compared with \$8,470,100 in 1968.

On November 14, 1969, Québec-Téléphone and its 384 office workers and technicians, represented by the International Brotherhood of Electrical Workers, signed a new two-year collective bargaining agreement. This agreement, negotiated within the terms of the Company's policy of remuneration, provides for an increase in salaries and employee benefits.

On May 4, staff salaries were also readjusted following a re-evaluation of all functions.



Administrative changes

On September 1, Mr. Norman Gendreau, Executive Vice President-Finance, Treasurer, and Senior Vice President, retired after 24 years of loyal and valuable service. His resignation, regretfully accepted by the Board on August 25, initiated several major changes. Mr. J. Réal Bernier, formerly Vice President, Controller, and Assistant Treasurer was named Vice President-Finance, and Treasurer. Mr. Raymond Sirois, Vice President-Operations, was elected to the Board of Directors. Mr. Henri Dionne, formerly Assistant Vice President-Personnel, was named Vice President-Personnel. Mr. Simon Soucy was named Assistant Treasurer.

On September 10, the Company lost another Director, on the death — after a brief illness, of Mr. J. Réal Bernier. Mr. Bernier's services had been invaluable to Québec-Téléphone during his 21 years with the Company.

On September 18, Mr. Yvon Côté, Vice President-Public Relations, Secretary and General Counsel, resigned to accept a position as Deputy Minister in the new Quebec Department of Communications.

Following the death of Mr. Bernier and the resignation of Mr. Côté, Mr. Julien Thuot, formerly Vice President-Revenue Requirements, and an employee of the Company since 1939, was named Vice President-Finance, and Treasurer. Mr. Jean Marc Tremblay, Barrister, formerly Assistant Secretary, was named Secretary and General Counsel. Mr. H. E. Seadon was named Director - Revenue Requirements, and Mrs. Andrée Bélanger was named Assistant Secretary.

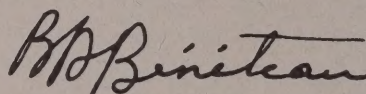
Finally, because of the consolidation of the functions of treasurer and controller, the treasury and accounting departments were united under Mr. Julien Thuot and divided into four sections: security and internal audit, under Mr. Simon Soucy, also Assistant Treasurer, data processing under Mr. Roland Page, general accounting under Mr. Roger Desrosiers, and budget under Mr. Yvon Gendron.

Conclusion

The Audited Balance Sheet and related statements of Income, Retained Earnings, Source and Application of Funds for the year 1969, submitted in comparative form with last year, appear on the pages immediately following this Directors' Report. The success obtained despite the difficult financial

climate prevailing in 1969 is indicative of the enthusiasm, the competence, and the esprit de corps of the Québec-Téléphone team, at all levels. It is also the result of the massive support given to the Company's corporate philosophy in the field of human and social relations.

For the Board of Directors,



President.

February 17, 1970

Consolidated statement of income

For the years ended December 31, 1969 and 1968

	1969	1968
Operating revenues:		
Local service	\$10,004,509	\$ 9,054,000
Toll service	15,741,235	13,310,036
Miscellaneous	375,144	350,635
Provision for doubtful accounts	(229,165)	(82,786)
	25,891,723	22,631,885
Operating expenses and taxes:		
Maintenance	3,370,535	3,025,594
Depreciation (Note 3)	4,817,185	4,175,426
Traffic	2,560,329	2,428,757
Commercial	994,067	1,057,889
General office salaries and other	2,811,869	2,174,745
General taxes	915,988	874,934
Provision for Federal and Provincial income taxes — Current	1,293,269	762,725
— Deferred	2,198,573	2,250,953
	18,961,815	16,751,023
Operating income	6,929,908	5,880,862
Miscellaneous income — Net (Note 8)	213,760	210,943
Income before interest charges	7,143,668	6,091,805
Interest charges:		
Interest on long-term debt	1,852,056	1,915,517
Other interest	2,267,236	1,551,909
Amortization of discount and expense on long-term debt	41,480	45,347
	4,160,772	3,512,773
Net income	\$ 2,982,896	\$ 2,579,032
Dividends:		
Preferred shares	499,645	507,310
Subordinate preferred shares	257,539	—
	757,184	507,310
Net income applicable to common shares	\$ 2,225,712	\$ 2,071,722
Earnings per common share (Note 10)	\$1.28	\$1.19

The accompanying notes are an integral part of these consolidated financial statements.

December 31, 1969 and 1968

Signed on behalf of the Board:

B. A. Bénéteau, director

R. Sirois, director

	1969	1968
Shareholders' equity		
Common shares (Note 4)	\$ 10,757,690	\$ 10,757,690
Retained earnings	8,742,594	7,850,011
	19,500,284	18,607,701
Preferred shares (Note 4)	10,313,140	10,479,280
Subordinate preferred shares (Note 4)	4,352,670	—
	34,166,094	29,086,981
Liabilities		
Long-term debt (Note 5)	31,558,487	31,693,852
Subordinated notes payable to Anglo-Canadian Telephone Company (Note 5)	15,000,000	10,000,000
Demand notes payable to banks	15,000,000	18,000,000
Current liabilities:		
Accounts payable —		
Trade	741,048	1,875,844
Affiliates	294,922	371,990
Advance billings and customer deposits	388,869	181,203
Dividends	496,152	430,736
Accrued liabilities —		
Taxes	412,915	66,551
Interest and other	1,008,732	653,692
	3,342,638	3,580,016
Deferred income taxes	14,057,226	11,236,977
	\$113,124,445	\$103,597,826

Consolidated statement of retained earnings

For the years ended December 31, 1969 and 1968

	1969	1968
Balance at beginning of year	\$ 7,850,011	\$6,997,047
ADD —		
Net income applicable to common shares	2,225,712	2,071,722
	10,075,723	9,068,769
DEDUCT —		
Dividends on common shares	1,218,758	1,218,758
Subordinate preferred shares issue expense	114,371	—
	1,333,129	1,218,758
Balance at end of year	\$ 8,742,594	\$7,850,011

The accompanying notes are an integral part of these consolidated financial statements.

To the shareholders,

Québec-Téléphone:

We have examined the consolidated balance sheet of QUÉBEC-TÉLÉPHONE AND SUBSIDIARY as of December 31, 1969, and the related consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Québec-Téléphone and subsidiary as of December 31, 1969, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chartered Accountants

SAMSON, BÉLAIR, CÔTÉ, LACROIX ET ASSOCIÉS

Chartered Accountants

Montreal, January 28, 1970.

Consolidated statement of source and use of funds

For the years ended December 31, 1969 and 1968

	1969	1968
Working capital (deficit) at beginning of year	\$ 1,954,983	\$ (186,038)
Source of funds:		
From operations —		
Net income	2,982,896	2,579,032
Add — Expenses not requiring cash outlay, principally depreciation and provision for deferred income taxes	6,481,631	5,988,051
Funds available from operations	9,464,527	8,567,083
Issue and sale of 6.20% Cumulative Redeemable Convertible Subordinate Preferred shares, Series A (Note 4)	4,352,670	—
Increase in subordinated notes payable to Anglo-Canadian Telephone Company (Note 5)	5,000,000	10,000,000
Increase in demand notes payable to banks	—	1,800,000
Other sources of funds (net)	489,093	85,346
	19,306,290	20,452,429
Use of funds:		
Construction and other plant additions	12,796,783	15,932,556
Redemption of bonds	135,365	503,864
Redemption of preferred shares	166,140	148,920
Dividends paid	1,975,942	1,726,068
Decrease in demand notes payable to banks	3,000,000	—
	18,074,230	18,311,408
Increase in working capital	1,232,060	2,141,021
Working capital at end of year	\$3,187,043	\$ 1,954,983

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

For the years ended December 31, 1969 and 1968

1. Principles of consolidation

The consolidated balance sheet and the related consolidated statements of income, retained earnings and source and use of funds include the assets and liabilities and the results of operations and source and use of funds of the wholly-owned subsidiary, The Bonaventure and Gaspé Telephone Company, Limited.

2. Telephone plant

Telephone plant consists of land, buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture, other equipment and construction in progress.

3. Depreciation of telephone plant

The Company provides depreciation on the straight-line method based on the service lives and estimated net salvage value of the various classes of depreciable property.

The Company is currently making an engineering study to determine the adequacy of depreciation rates for each class of telephone plant in service. It is expected that this study will be substantially completed in 1970.

4. Capital stock

	1969 Shares Outstanding	1969 Amount	1968 Amount
a) Common shares (i)			
Authorized —			
5,000,000 Common shares without nominal or par value	1,741,067	\$10,757,690	\$10,757,690
b) Preferred shares (ii)			
Authorized —			
919,161 Preferred shares of the par value of \$20 each			
5% Cumulative Sinking Fund Redeemable Preferred shares:			
1950 Series	10,780		
1951 Series	1,007		
1955 Series	63,683		
1956 Series	40,187		
	115,657	2,313,140	2,479,280
4¾% Cumulative Redeemable Preferred shares			
1965 Series	400,000	8,000,000	8,000,000
		\$10,313,140	\$10,479,280
c) Subordinate Preferred shares (iii)			
Authorized —			
750,000 Subordinate Preferred shares of the par value of \$15 each			
6.20% Cumulative Redeemable Convertible			
Subordinate Preferred shares, Series A	290,178	\$ 4,352,670	\$ —

i) 290,178 Common shares are reserved for conversion of 6.20% Cumulative Redeemable Convertible Subordinate Preferred shares, Series A at the option of the holders thereof.

ii) During the year ended December 31, 1969, 8,307 Cumulative Sinking Fund Redeemable Preferred shares were redeemed. 394,086 Preferred shares are still available for issue.

iii) During the year ended December 31, 1969, the Company issued for cash 290,178 6.20% Cumulative Redeemable Convertible Subordinate Preferred shares, Series A.

5. Long-term debt

Details of long-term debt are as follows:

First Mortgage Redeemable Sinking Fund Bonds (i) and (ii)

	Issued	Outstanding	
		1969	1968
4 1/4% Series D, due May 1, 1972	U.S. \$1,000,000	\$ 879,190	\$ 902,703
5 5/8% Series F, due December 1, 1984	U.S. 3,000,000	3,007,297	3,048,649
5 1/2% Series G, due October 15, 1982	5,000,000	4,317,000	4,380,000
5 1/2% Series H, due June 1, 1987	6,000,000	5,341,000	5,341,000
6% Series I, due October 15, 1990	5,000,000	5,000,000	5,000,000
7% Series J, due January 2, 1989	5,000,000	5,000,000	5,000,000
7% Series K, due January 2, 1971	1,695,000	—	—
		<u>23,544,487</u>	<u>23,672,352</u>

General Mortgage Sinking Fund Bonds (iii)

5% Series B, due October 1, 1976	1,000,000	839,000	839,500
6% Series C, due November 1, 1977	3,000,000	2,635,000	2,641,000
5 3/4% Series D, due April 1, 1983	5,000,000	4,540,000	4,541,000
		<u>8,014,000</u>	<u>8,021,500</u>
		<u>\$31,558,487</u>	<u>\$31,693,852</u>

i) First Mortgage Bonds may be issued without limitation in amount but subject to the restrictions contained or to be contained in the Trust Deed securing the First Mortgage Bonds.

ii) Series K Bonds were pledged to Anglo-Canadian Telephone Company to partly secure a \$10,000,000 8 1/2% Subordinated Note Payable to that company. Such note is otherwise unsecured

as is a \$5,000,000 8 1/2% Subordinated Note Payable to that company issued during 1969.

iii) General Mortgage Bonds may be issued without limitation in amount but subject to the restrictions contained in the Trust Deed securing the General Mortgage Bonds which are similar to those contained in the First Mortgage Trust Deed.

6. Sinking fund payments and long-term debt retirement

Sinking fund payments and long-term debt retirement for the next five years in respect of the long-term debt outstanding at December 31, 1969 are as follows:

\$ 332,000 in 1970
395,000 in 1971
1,229,000 in 1972
380,000 in 1973
380,000 in 1974

7. Construction program

The Company's program for the construction of new plant

and facilities in 1970, as now planned, provides for the expenditure of approximately \$13,400,000.

8. Interest charged to construction

Miscellaneous income includes a credit for interest charged to construction of \$122,550 in 1969 and \$83,036 in 1968.

9. Pension Plans

The Company maintains funded pension plans for the benefit of all employees. The policy is to fund pension costs as incurred. The total pension cost for 1969 and 1968 was \$360,900 and \$356,000 respectively, which includes amortization of past

service cost of \$114,000 and \$113,500 respectively. The estimated unfunded liability for past service cost was \$1,562,000 at December 31, 1969, based on the most recent actuarial study. Such past service cost, together with interest thereon, is being amortized over a period of twenty-one years.

10. Earnings per common share

a) Issued and outstanding —

Earnings per Common share are based upon the 1,741,067 Common shares issued and outstanding in 1969 and 1968. For the purpose of these calculations, the dividend requirements on preference shares (\$757,184 in 1969 and \$507,310 in 1968) were deducted from net income.

b) Assuming conversion of convertible shares —

If it were assumed that all of the 290,178 6.20% Cumulative Redeemable Convertible Subordinate Preferred shares, Series A issued and outstanding at December 31, 1969 had been

converted into Common shares as of January 1, 1969, the earnings per Common share for 1969 would have been \$1.22.

For the purpose of this calculation, the net income applicable to Common shares was increased by the dividend requirements on the 6.20% Cumulative Redeemable Convertible Subordinate Preferred shares, Series A (\$257,539) and the number of Common shares adjusted to reflect the additional Common shares that would have resulted on conversion (290,178 shares).

Ten years of progress

	1969	1968	1967
Selected Income Items			
Operating Revenues	\$ 25,891,723	\$ 22,631,885	\$ 20,500,349
Operating Expenses	9,736,800	8,686,985	8,457,828
Depreciation	4,817,185	4,175,426	3,556,991
General Taxes	915,988	874,934	750,465
Income Taxes	3,491,842	3,013,678	2,720,645
Miscellaneous Income (net)	213,760	210,943	232,429
Interest Charges	4,160,772	3,512,773	2,647,640
Net Income	2,982,896	2,579,032	2,599,209
Cash Dividends on Preferred Shares	757,184	507,310	514,963
Net Income Available for Common Shares	2,225,712	2,071,722	2,084,246
Cash Dividends on Common Shares	1,218,758	1,218,758	1,218,807
Net Income Reinvested	1,006,954	852,964	865,439

Selected Financial Statistics

Long-Term Debt	\$ 31,558,487	\$ 31,693,852	\$ 32,197,716
Per Cent Total Capitalization	39.1 %	44.8%	53.1 %
Subordinated Notes Payable to Anglo-Canadian Telephone Company	\$ 15,000,000	\$ 10,000,000	
Per Cent Total Capitalization	18.6 %	14.1 %	
Preferred Shares	\$ 14,665,810	\$ 10,479,280	\$ 10,628,200
Per Cent Total Capitalization	18.1 %	14.8%	17.6%
Common Shares and Retained Earnings	\$ 19,500,284	\$ 18,607,701	\$ 17,754,737
Per Cent Total Capitalization	24.2 %	26.3%	29.3%
Times Bond Interest Earned Before Depreciation	8.3	6.9	5.6
Times Bond Interest Earned After Depreciation	5.7	4.7	3.8
*Average Number of Common Shares	1,741,067	1,741,067	1,741,034
Earnings per Average Number of Common Shares	\$ 1.28	\$ 1.19	\$ 1.197
Per Cent Net Income Reinvested to Net Income	33.8 %	33.1 %	33.3%
Per Cent Net Income to Operating Revenues	11.5 %	11.4%	12.7%

Other Statistics

Number of Employees (year end)	1,575	1,546	1,587
Telephones in Service	144,235	136,070	126,426
Business	41,800	39,283	35,935
Residence	102,435	96,787	90,491
Per Cent Dial Operated	92.7 %	91.0%	82.1%
Investment per Telephone	\$ 870.22	\$ 840.54	\$ 796.68
Telephone Plant	\$125,516,380	\$114,372,904	\$100,720,537
Accumulated Depreciation	\$ 19,557,781	\$ 16,969,511	\$ 15,555,943
Per Cent Depreciation to Telephone Plant	15.6 %	14.8%	15.4%
Central Offices	145	145	139
Monthly Average of Toll Messages	992,041	954,785	947,266

*Allowing for Split in Common Shares, 2 for 1 in 1964.

1966	1965	1964	1963	1962	1961	1960
\$17,569,328	\$16,140,754	\$14,748,240	\$13,392,576	\$12,328,717	\$10,447,224	\$ 9,195,515
7,432,422	6,549,100	5,974,396	5,318,742	4,960,833	4,377,533	3,554,085
3,003,397	2,706,440	2,412,309	2,182,381	1,815,477	1,483,374	1,262,378
553,009	448,793	354,311	360,439	292,311	248,021	183,749
2,350,190	2,497,543	2,322,912	2,175,257	2,018,031	1,839,580	1,568,309
145,581	46,558	86,190	206,769	206,075	138,348	84,929
2,143,961	1,700,029	1,589,914	1,491,233	1,147,613	968,080	734,574
2,231,930	2,285,407	2,180,588	2,071,293	1,888,377	1,668,984	1,572,349
521,727	500,014	421,820	431,104	439,310	418,425	288,350
1,710,203	1,785,393	1,758,768	1,640,189	1,449,067	1,250,559	1,283,999
1,085,618	1,031,355	1,218,674	858,825	799,032	739,326	625,171
624,585	754,038	540,094	781,364	650,035	511,233	658,828
\$31,714,000	\$31,924,500	\$27,473,500	\$27,903,000	\$23,265,500	\$17,544,000	\$17,789,000
53.1%	57.5%	58.9%	59.8%	56.2%	50.9%	57.2%
\$10,790,400	\$10,933,160	\$ 7,875,920	\$ 8,071,500	\$ 8,238,300	\$ 8,357,120	\$ 5,510,260
18.1%	19.7%	16.9%	17.3%	19.9%	24.3%	17.7%
\$17,193,223	\$12,657,983	\$11,287,628	\$10,677,106	\$ 9,898,077	\$ 8,554,775	\$ 7,826,990
28.8%	22.8%	24.2%	22.9%	23.9%	24.8%	25.1%
5.5	6.0	5.6	5.5	6.2	6.4	7.3
3.8	4.3	4.0	4.0	4.6	4.8	5.5
1,519,792	1,475,310	1,433,736	1,431,488	1,391,412	1,342,816	1,316,765
\$ 1.125	\$ 1.210	\$ 1.227	\$ 1.146	\$ 1.041	\$ 0.931	\$ 0.975
28.0%	33.0%	24.8%	37.7%	34.4%	30.6%	41.9%
12.7%	14.1%	14.7%	15.4%	15.3%	16.0%	17.1%
1,699	1,580	1,598	1,461	1,406	1,276	1,171
119,278	108,791	99,168	90,825	83,229	75,635	67,420
34,085	31,048	28,463	26,450	24,694	22,713	20,937
85,193	77,743	70,705	64,375	58,535	52,922	46,483
73.1%	71.3%	66.7%	64.9%	61.6%	57.3%	56.0%
\$ 726.15	\$ 666.92	\$ 641.54	\$ 620.89	\$ 582.29	\$ 557.40	\$ 531.34
\$86,614,281	\$72,555,016	\$63,620,412	\$56,392,526	\$48,463,675	\$42,158,713	\$35,822,796
\$13,894,046	\$11,601,228	\$ 9,841,856	\$ 8,508,948	\$ 6,812,225	\$ 5,597,855	\$ 4,896,090
16.0%	16.0%	15.5%	15.1%	14.1%	13.3%	13.7%
134	133	130	125	127	123	121
859,383	798,929	731,371	643,997	574,708	527,034	478,210

A dollar of revenue and its uses

A DOLLAR OF REVENUE

0.60	Toll service	\$15,741,235
0.38	Local service	10,004,509
0.02	Miscellaneous	359,739
\$1.00		\$26,105,483

AND ITS USES

0.29	Payroll and employee benefits	\$ 7,648,925 *
0.18	Depreciation	4,817,185
0.17	Taxes of all kinds	4,407,830
0.08	Materials and services	2,087,875
0.16	Interest charges	4,160,772
0.08	Dividends	1,975,942
0.04	Reinvested in the business	1,006,954
\$1.00		\$26,105,483

*Excluding salaries charged to construction.

The white line points out Québec-Téléphone's microwave network, blanketing central and eastern Québec.





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